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CHEZ HOPE, INC.

Financial Report

For the Year Ended June 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date FEB 17 1999

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Independent Auditor's Report

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The Board of Directors
Chez Hope, Inc.
Franklin, Louisiana

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We have audited the accompanying statements of financial position of Chez Hope, Inc. (a non-profit organization) as of June 30, 1998, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Chez Hope, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chez Hope, Inc. as of June 30, 1998, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 1998 on our consideration of Chez Hope's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Darnall, Sikes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
November 30, 1998

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American Institute of
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Society of Louisiana
Certified Public Accountants

CHEZ HOPE, INC.

Statement of Financial Position
June 30, 1998

ASSETS

Cash and cash equivalents	\$ 3,224
Grant receivables	44,278
Prepaid expenses	3,084
Property and equipment	<u>112,324</u>
TOTAL ASSETS	<u>\$ 162,910</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 9,051
Accrued salaries payable	10,143
Payroll taxes payable	6,725
Notes payable	1,115
Accrued annual leave	3,793
Long term debt	<u>47,087</u>

Total Liabilities 77,914

NET ASSETS

Unrestricted 84,996

TOTAL LIABILITIES AND NET ASSETS \$ 162,910

The accompanying notes are an integral part of this financial statement.

CHEZ HOPE, INC.

Statement of Activities
For the Year Ended June 30, 1998

UNRESTRICTED NET ASSETS

Support	
Federal financial assistance	\$ 187,177
State financial assistance	93,167
Local financial assistance	25,116
Private foundation funds	73,992
Contributions	<u>34,147</u>
	<u>413,599</u>
Revenue	
Fundraising	1,419
Other	<u>5,880</u>
	<u>7,299</u>
 Total Support and Revenue	 <u>420,898</u>
Expenses	
Program services	352,918
Supporting services:	
Management and general	43,437
Fundraising	<u>65</u>
Total Expenses	<u>396,420</u>
 INCREASE IN NET ASSETS	 24,478
 NET ASSETS, Beginning	 <u>60,518</u>
 NET ASSETS, Ending	 <u>\$ 84,996</u>

The accompanying notes are an integral part of this financial statement.

CHEZ HOPE, INC.

Statement of Functional Expenses
For the Year Ended June 30, 1998

	Program Services	Supporting Services		Total
	Women and Children	Management and General	Fund- raising	
Audit and accounting fees	\$ -	\$ 5,600	\$ -	\$ 5,600
Personnel costs:				
Compensation	195,245	-	-	195,245
Employee benefits	19,934	-	-	19,934
Payroll taxes	14,625	-	-	14,625
Conference and training	-	12,254	-	12,254
Dues	1,716	-	-	1,716
Depreciation	10,249	-	-	10,249
Client shelter, meals and travel	37,114	-	-	37,114
Insurance	6,400	-	-	6,400
Interest	3,345	-	-	3,345
Miscellaneous	2,987	7,520	-	10,507
Occupancy:				
Electricity and water	5,622	-	-	5,622
Maintenance	11,590	-	-	11,590
Rent	12,795	-	-	12,795
Postage	-	2,422	-	2,422
Supplies:				
Office	-	10,257	-	10,257
Other	-	5,384	65	5,449
Telephone	21,958	-	-	21,958
Travel	9,338	-	-	9,338
	<u>\$ 352,918</u>	<u>\$ 43,437</u>	<u>\$ 65</u>	<u>\$ 396,420</u>

The accompanying notes are an integral part of this financial statement.

CHEZ HOPE, INC.

Statements of Cash Flows
For the Year Ended June 30, 1998

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 24,478
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	10,249
Donated vehicle included in contributions	(6,550)
Increase in accounts receivable	(5,057)
Increase in prepaid expenses	(3,084)
Increase in accounts payable	3,521
Increase in payroll taxes payable	1,049
Net cash provided by operating activities	<u>24,606</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	<u>(46,291)</u>
------------------------------------	-----------------

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from bank loans	26,452
Payments on bank loans	<u>(13,376)</u>
Net cash provided by financing activities	<u>13,076</u>

Net decrease in cash	(8,609)
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CASH, Beginning	<u>11,833</u>
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CASH, Ending	<u><u>\$ 3,224</u></u>
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Supplemental Information:

Cash paid during the year for interest	<u><u>\$ 3,345</u></u>
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The accompanying notes are an integral part of this financial statement.

CHEZ HOPE, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Chez Hope, Inc. is a non-profit organization which provides emergency assistance to battered persons and their children.

A summary of Chez Hope, Inc.'s significant accounting policies applied in the preparation of the accompanying financial statements follows:

A. Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

B. Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

C. Contributed Services

During the year ended June 30, 1998, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CHEZ, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

F. Annual Leave and Sick Leave

The Organization allows full time employees one day of annual leave for each full month of employment. Employees may carry over up to ten days of annual leave to the following calendar year. The Organization allows full time employees one day of sick leave for each full month of employment. Employees may carry over up to fifteen days of sick leave to the following calendar year. Upon termination from the Organization for any reason, an employee shall be paid for accrued and unused annual leave, but shall not be paid for accrued and unused sick leave. The accrual for annual leave is reflected in the financial statements. No accrual for sick leave is reflected due to uncertainty of amounts that will ultimately be paid.

G. Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

H. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTE 2 GRANT RECEIVABLES

Grant receivables consists of the following:

Federal grant receivable	\$ 24,565
State grants receivable	16,361
Local grant receivable	3,352
Total	<u>\$ 44,278</u>

CHEZ, INC.

Notes to Financial Statements

NOTE 3 PROPERTY AND EQUIPMENT

A summary of property and equipment and their cost and estimated useful lives follows:

<u>Category</u>	<u>Estimated Cost</u>	<u>Useful Life</u>
Vehicles	\$ 27,661	5 years
Furniture and office equipment	44,226	5-10 years
Buildings	46,879	20 years
Land	10,000	N/A
Leasehold improvements	<u>8,323</u>	20 years
	137,089	
Less: Accumulated Depreciation	<u>(24,765)</u>	
Total	<u>\$ 112,324</u>	

NOTE 4 PREPAID EXPENSES

The balance of \$3,084 represents the Organization's prepayment of general liability, property and auto insurance.

NOTE 5 NOTES PAYABLE

The balance of \$1,115 represents a bank line of credit, due on demand, bearing interest at 18 percent per annum.

NOTE 6 LONG TERM DEBT

Chez Hope's obligation under notes payable consists of the following:

Note payable due in monthly installments of \$347.21, including interest at 9.10 percent per annum, through February 3, 2010, secured by a lot and an office building.	\$ 29,874
Note payable due in monthly installments of \$600.44, including interest at 10.125 percent per annum, through March 15, 2001, secured by two vehicles.	<u>17,213</u>
Total long term debt	<u>\$ 47,087</u>

CHEZ HOPE, INC.

Notes to Financial Statements

Note 6 LONG TERM DEBT (CONTINUED)

Principal maturities of long term debt are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
1999	\$ 7,232
2000	7,980
2001	6,972
2002	1,981
2003	2,169
2004-2010	<u>20,753</u>
	<u>\$ 47,087</u>

NOTE 7 RETIREMENT PLAN

Chez Hope, Inc. has a qualified 401(k) deferred compensation plan for all eligible employee of the company. Chez Hope, Inc. currently provides matching contributions up to five percent of employee compensation. Total employer contributions for the year ended June 30, 1998, were \$6,477.

NOTE 8 ECONOMIC DEPENDENCY

Chez Hope, Inc. receives the majority of its support from grants provided through federal and state agencies. The grant amounts are appropriated each year by the government agencies. Significant budget cuts at the federal and state level could have an adverse impact on the operations of Chez Hope, Inc. Management is not aware of any actions that will adversely affect the amount of funds to be received in the next fiscal year.

INTERNAL CONTROL AND COMPLIANCE



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Independent Auditor's Report on Compliance And Internal Control Over Financial Reporting Based on and Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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The Board of Directors
Chez Hope, Inc.
Franklin, Louisiana

We have audited the financial statements of Chez Hope, Inc. (a non-profit organization) as of and for the year ended June 30, 1998, and have issued our report thereon dated November 30, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Chez Hope's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chez Hope's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Chez Hope's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the *accompanying schedule of findings and questioned costs as item 98-1*.

Member of
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Society of Louisiana
Certified Public Accountants

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable condition described in the schedule of findings and questioned costs as item 98-1 is a material weakness.

This report is intended for the information of Chez Hope, Inc.'s management and regulatory agencies. However, this report is a matter of public record, and its distribution is not limited.

Dannall, Sikes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
November 30, 1998

OTHER SUPPLEMENTAL INFORMATION

CHEZ HOPE, INC.

Summary Schedule of Prior Year Findings
For the Year Ended June 30, 1998

97-1 Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of employees, the organization does not have adequate segregation of functions within the accounting system.

Recommendation:

Based upon the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Response:

No response is considered necessary.

CHEZ HOPE, INC.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998

Part 1 Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unqualified opinion has been issued on Chez Hope, Inc.'s financial statements as of and for the year ended June 30, 1998.

Reportable Conditions – Financial Reporting

A reportable condition in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 98-1 in Part 2.

Material Noncompliance – Financial Reporting

No instances of noncompliance material to the financial statements were disclosed during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended June 30, 1998.

Part 2 Findings Relating to an Audit in Accordance with Government Auditing Standards

98-1 Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of employees, the organization does not have adequate segregation of functions within the accounting system.

Recommendation:

Based upon the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Part 3 Findings and Questioned Costs Relating to Federal Programs

At June 30, 1998 Chez Hope, Inc. did not meet the requirements to have a single audit in accordance with OMB Circular A-133, therefore this section is not applicable.

CHEZ HOPE, INC.

Management's Corrective Action Plan
For the Year Ended June 30, 1998

Response:

No response is considered necessary.